

EK-4-8247

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6 November 1953

MEMORANDUM FOR: The Director of Central Intelligence

SUBJECT : Report of 'Round the World Inspection by Auditor-in-Chief, Extending from 7 May to 11 October 1953.

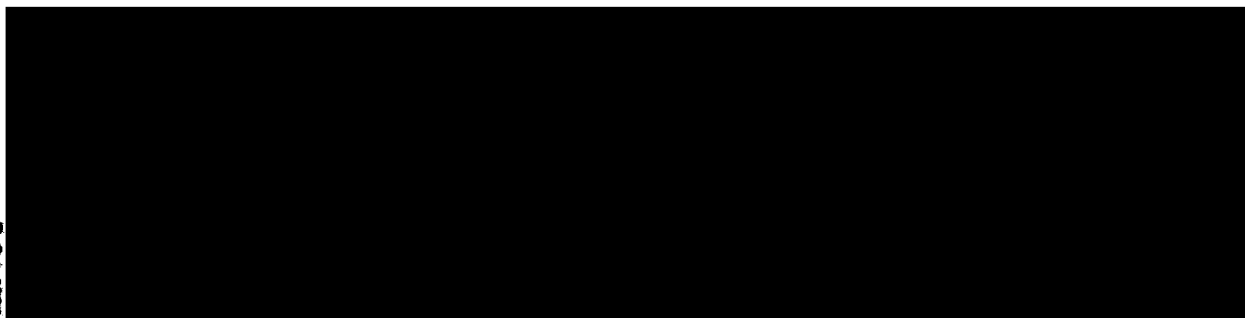
I. PURPOSE OF TRIP:

a. To inculcate in the minds of all operating and administrative personnel the need for extreme care in the use of "unvouchered funds" and in the accounting therefor, and to carry to the Field the message of the Director, that the authority to use "unvouchered funds" is a sacred trust, not to be abused

b. Where practicable, to decentralize to the Field the final audit of Agency money and property accounts.

II. DESCRIPTION:

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In the course of the above mentioned talks question periods were provided in which many items of interest were discussed and while all questions were not answered the discussions were beneficial. The frequency of questions on the career program indicated the need for an information bulletin to be issued to the Field showing progress to date.

III. OBSERVATIONS

On July 22 a report was made on general conditions at all European stations listed above except [REDACTED]. However, in view of the fact that views on the items discussed therein have been augmented by similar conditions found at other stations visited, since [REDACTED] time all matters are consolidated in this one report.

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At every station visited the high type of personnel on duty was impressive and the uncomplaining manner in which they accepted their assignments

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regardless of the fact that some of the stations visited were listed as hardship stations, was noted. The criticisms in this report regarding Headquarters (HQ) operations were not made by Field employees but are the conclusions of the undersigned based on his observations in the field and his knowledge of HQ operations.

Further, they are not based on single incidents but on evidence of a general condition.

Conditions in the Field were found to be generally good and no serious deficiencies in the care of Agency funds or assets which could not be corrected during the period of my visit, except those listed herein, were noted. On the other hand, there was ample evidence that there is a real waste of funds and personnel at Agency HQ due to the amount of detail performed here and duplicated in the field, and which it is believed could be more efficiently performed if decentralized to the field.

In contacts with senior personnel overseas it was noted that practically all of them had executed important assignments in Washington before going overseas and should therefore be qualified to carry on responsibilities at their stations at least equal to those performed by them at HQ. Yet present Agency operational concepts appear to be based on the premise that a man sitting at a desk some 3 to 10,000 miles distant from an operation is better able to administer a project than the man living at or adjacent to it. It appears that there are many small projects being administered in detail at HQ which could be more effectively and efficiently administered in the field, with resultant large savings in personnel and money.

The views expressed herein are the result of a possibly limited observation in the Field, but there is ample evidence that a restudy of the matters discussed is warranted. The following items require prompt action from HQ:

1. It was noted that all intelligence activities, regardless of size, cost or complexity, must be submitted to HQ for approval as individual projects. Thus it is necessary to submit to HQ numerous one-man penetration projects, even though collectively they form part of a larger program and their individual cost may be insignificant. It is recognized that cost cannot be the sole criterion in determining the necessity for HQ prior approval, but the cost of the vast overhead created by the present necessity of handling these small projects singly would appear to warrant a study to determine if a simpler method cannot be devised for handling at least the smaller projects. It may be that a solution could be found in revised procedures whereby (1) HQ would determine and authorize a general type of operation as a specific target, (2) stipulate by allocation the amount of money to be expended, (3) state any necessary limitations and instructions, and (4) within this framework give the Station Chief full authority to carry out the operation, by individual projects or otherwise. It would still be incumbent on stations to report their activities to HQ, where continuous review would take place,

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but the necessity for pre-approval of countless minutiae would be obviated.

2. In the case of larger and more significant projects, it is noted that although HQ approves them individually in principle, it is common practice to so circumscribe the approval, that the Chief of Station must seek prior HQ approval for every expenditure he incurs in implementing the project. Not only is this an impediment to effective and aggressive action but it is a serious reflection upon the integrity and competence of the field operator.

See 7A2
Comment

3. Under existing procedures HQ requires that vouchers for certain classes of expenditures made in the field be submitted to the interested HQ division for approval, despite the fact that the service has been rendered and already paid for by the field finance officer. The experience of the Finance Division has been that in all such cases, after some delay, final approval is given. Such practices increase the workload at both HQ and in the field, with resultant waste.

See Finance
Division Comment

The solution to this would appear that HQ establish policies and publish limitations on the particular types of items that can be controlled in the field, or in the absence of a published general instruction to issue specific authorities in special cases. On the basis of such authority a field auditor could require a showing that the officer making the expenditure had authority therefor, thus eliminating the apparent unnecessary work referred to above.

4. It was noted that in many cases the field has been required to operate proprietary, subsidy, or other large projects for which detailed administrative plans had been prepared at HQ, yet no copy of such plans had been furnished the field. This makes it difficult, if not impossible, for proper administration by the field, and for the audit of expenditures thereunder by field auditors.

See 7AS
Comment

5. On a number of occasions when an opinion was requested on an operational matter the undersigned suggested that the matter be submitted to HQ for decision, and the frequent reaction was that it served no useful purpose as experience has shown that many times no answer is received or that the answer was so delayed that it was useless. This indicated that the failure of HQ to make prompt acknowledgement to the field of inquiries had caused a lack of respect for HQ administration. In discussing the matter informally with the Deputy Director he suggested as a possible solution that the Director instruct the field that it submit monthly reports to HQ, listing, by reference, any communications to which an answer had been delayed for more than 30 days. The suggestion is concurred in and further it is believed that if such a reporting system were put into effect the necessity therefor would soon disappear.

7AS

6. From observations made before going to the field and from additional evidence gained there is convincing evidence that the

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Agency is in need of a strong OAM Division to conduct broad Agency studies for the Director, and for top level consideration. Under present procedures the OAM Division is a service unit available when called upon by any division of the Agency, but its findings are submitted to and may be ignored by the interested division despite the fact that in many cases the findings and recommendations, if carried out, would result in increased efficiency and economy within the Agency. The OAM Division under this proposal could remain under the authority of the DD/A, on the principle that it is an administrative function, but the position within the Agency of the OAM Division is not the important question raised by this discussion. The important point is that wherever located its recommendations be given top Agency consideration.

7. In the course of this field survey many inadequacies in the control of funds were found due to the absence of a sound overall Agency fiscal system. However, a recent instruction now being prepared for promulgation to the field will probably cure this situation.

8. In a report made by the undersigned from [redacted] in July attention was invited to certain cases of false certificates made by case officers in the field who had been advanced funds. It is believed that these cases were not isolated ones but indicate a general lack of respect by our field representatives for the responsibilities involved and placed on them when signing certificates. This matter was highlighted in every talk made by the undersigned during the course of his trip, but it is felt an Agency notice on this subject should be promulgated. However, careful consideration should be given to the wording of such a notice.

9. In June I reported from the field that existing regulations require that all surveys for loss or damage to property be submitted to HQ for approval regardless of the fact that the amount involved may be less than the cost of preparing the survey. Within the last few days this matter has been taken care of by publication of [redacted] which decentralizes authority to approve surveys where the amount involved is less than \$1,000.

10. In business today and in most of the government departments the senior operating officials are furnished periodically with succinct financial reports of operations broken down by project or their special functional categories. Such reports are considered highly important to an understanding of current operations and to the application of management supervision to insure efficiency and economy in administration. This important matter was not provided for in either Europe or the Far East but in discussing the matter with the senior representatives it was agreed that such reporting is desirable and would be put into effect. The Comptroller of the Army has within the last few days submitted for comment a draft of a financial report covering operations for the last fiscal year, which after some refinement may meet HQ requirements in this respect. However, it appears desirable that such a technique be suggested in a general way as a good tool of management.

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Comptroller -
Gen. Counsel
Should take action

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comment

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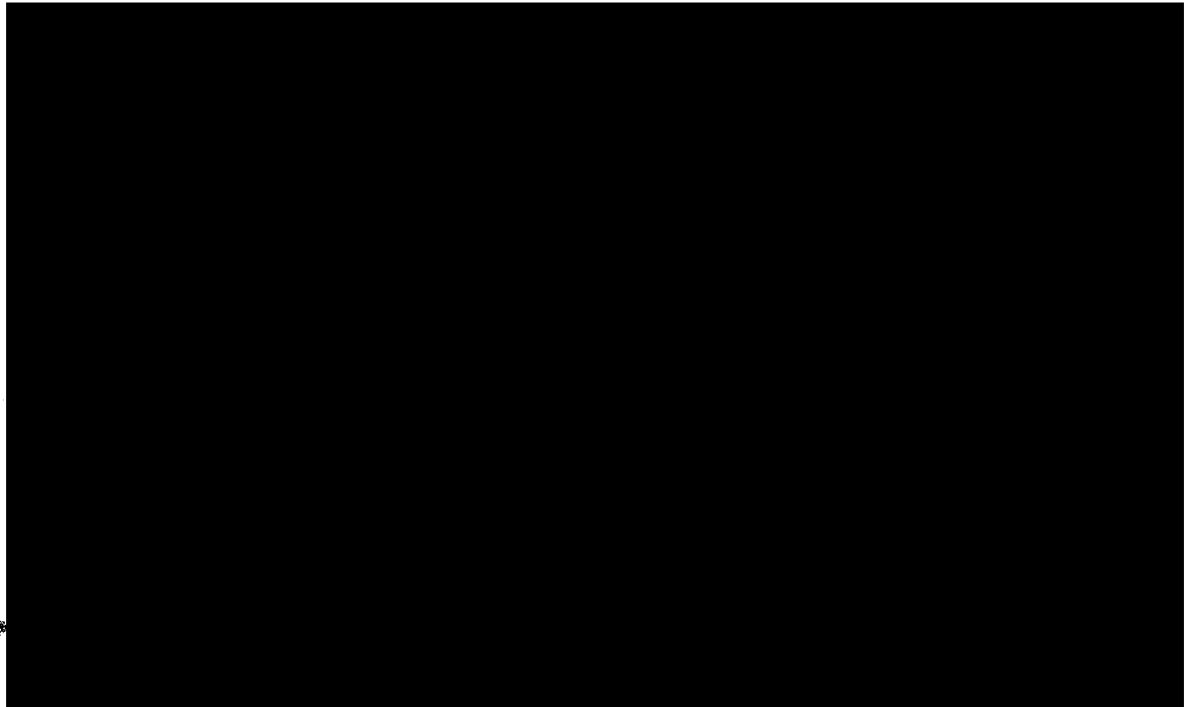
Comptroller
Should draft
Notice etc

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See Finance
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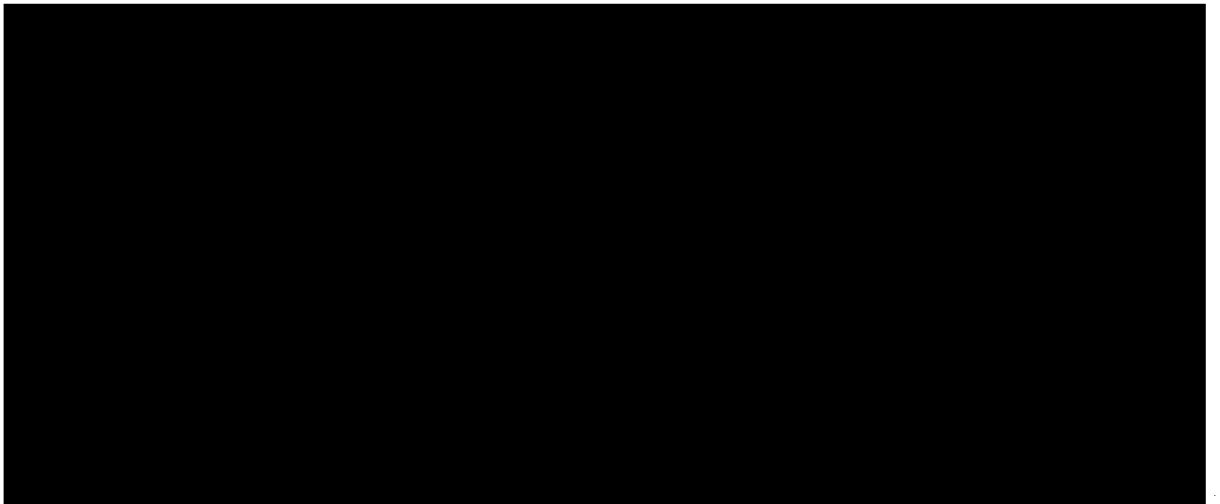
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12. In discussing subsidy projects with case officers in [REDACTED] they stated that several of the large projects were based on [REDACTED] and due to the fact that the parts of the projects which were being supervised by the [REDACTED] office did not have Agency comptrollers, they were unable to determine whether sound finance operations were being performed. They stated that it is highly desirable, if practicable, to have an Agency comptroller placed in these large projects and it is thought this could be accomplished through the [REDACTED] offices without violation of cover.

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13. As one of the purposes of the trip was to decentralize, where practical, the audit of money and property accounts, there have been set up the following audit offices:

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consists of two senior auditors, two junior auditors, and one administrative clerk. This team is under the Auditor-in-Chief at HQ for all technical duties and for the approval of their efficiency reports and promotions, but in other matters the team is under the Chief of Mission,

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b. An Audit Office has been established at [] to audit the account of the South East and Near East stations as soon as they have been furnished with finance officers authorized to certify vouchers. At present there is only one auditor on duty and he should be sufficient for the present because only the stations at [] have finance officers authorized to certify vouchers. The Comptroller is studying the matter of placing other certifying officers in this area, and as the work requires additional auditors will be assigned to the SE and NE.

c. An Audit Office was initially established in the FE in October 1952, but due to the fact that the finance activities in that area had not been properly established with suitable finance certifying officers complete audit of accounts was not put into effect.

During my recent visit there, however, it was noted that the two auditors who had been placed there last year had rendered valuable service to the Senior Representative, [] in inspecting finance offices and in assisting in the organization of appropriate finance, procurement, and property accounting facilities. Recently the Audit Office, FE, has been augmented so that it now has a strength of two senior and two junior auditors, and one administrative clerk is awaiting transportation there. This FE office will make quarterly site audits of all accounts in the area, including those in the South

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d. A further decentralization of the audit activities to other areas throughout the world will be made as soon as the technical problem of obtaining certifying officers for the stations concerned can be met and trained audit personnel can be assigned central stations within particular areas.

14. After the arrival of the undersigned in the FE, two separate problems were assigned him by HQ. One was an audit matter--a review of the accounts at [] were serious difficulties had arisen in our construction program there. The other was the closing out of the various corporations and accounts of [], who defaulted with [] and the untangling of [] in relationship to operation arrangements and contracts between the [] Separate written reports on these two matters are being submitted. However, verbal reports have already been made to interested parties.

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II. RECOMMENDATIONS:

1. That the present method of developing, financing, and controlling small projects be studied by the O&M Division, or by some other disinterested activity of the Agency, to determine whether or not a more simplified and less burdensome system of approving and financing such projects can be developed.
2. That the present practice of advising the field of approval of a project in principle and then requiring headquarters' prior approval of all expenditures thereunder be discontinued, and in lieu thereof provide that HQ approval of a project carry maximum permissible authority for implementation and a citation to the allotment to which expenditures on the project should be charged.
3. That the present practice of the DD/P operating divisions requiring the submission of certain classes of paid vouchers to them for post facto review and approval be discontinued and in lieu thereof essential controls on such matters be exercised by appropriate limitations in regulations.
4. That positive direction be issued to ensure that sterilized copies of all detailed administrative plans covering projects on which disbursements are to be made in the field be furnished the field stations concerned as soon as such plans are completed.
5. That an Agency Directive be issued to require the field to report to the Director monthly any communications to HQ requiring replies which have remained unanswered for a period of more than 30 days.
6. That prompt action be taken to develop a strong O&M Division for the Agency, and that this Division be charged with continuing survey of Agency activities and to report to the Director its findings and recommendations.
7. That a directive be issued to the field prohibiting expenditures except for activities for which a formal allotment has been made to the field. Emergency cable authorizations should be required to cite the formal allotment number. An exception may be desirable where a station is too small to warrant the keeping of allotment accounts and funding is done direct by HQ or by a larger station.
8. That an Agency directive be issued warning all personnel that before any certificate is signed by them they must be sure that the matters covered by the certificate are in accordance with the facts.
9. That the Comptroller prepare for transmission to the field a suggested technique for program analysis at stations where size warrants, in order that monthly operations may be graphically reported to senior representatives for use as a tool of management.
10. That instructions be issued to the field requiring at least a six-monthly review of [REDACTED] to include a determination as to whether the type and amount of currency on hand is adequate to meet the needs of the plan. These instructions should include a requirement that any surpluses or deficiencies in currency found as a result of such semi-annual surveys be reported to HQ for appropriate instructions.

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11. That a review be made of larger subsidy and other projects to determine whether or not it is practicable to install agency accountants in those projects where the size warrants and where none are now provided.

12. That appropriate instructions be issued to the field calling attention to the fact that the Auditor-in-Chief reports a generally lax compliance with the provisions of [REDACTED] regarding the safekeeping of funds and [REDACTED] regarding monthly accounting for advances.

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[REDACTED]
Auditor-in-Chief

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